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SUBJECT: DUS PONTICELLI HCMC VISIT - PUBLIC SECTOR LAPSES AND
EMERGING CIVIL SOCIETY IN HCMC

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11. (U) Summary: Deputy Undersecretary of Labor for International Affairs Charlotte Ponticelli and Department of Labor Senior Advisor for EAP Affairs Zhao Li stopped in Ho Chi Minh City (HCMC) on October 20 to observe and discuss HCMC labor issues en route to the 2007 U.S. - Vietnam Labor Dialogue in Hanoi. NGOs, U.S. garment/footwear manufacturers and labor market experts described the strain that HCMC's rapid economic growth has placed on the public sector mechanisms for preventing and resolving labor disputes. At the same time, interlocutors demonstrated that this pressure creates opportunities for civil society to develop, including the increasingly entrepreneurial HCMC Women's Union. End summary.

Not Your Mother's Women's Union

12. (SBU) In a meeting room packed with bouquets and placards commemorating the 77th anniversary of the national organization's founding, Vice-President of the Women's Union of HCMC Ms. Nguyen Ngoc Hanh described their efforts to enhance women's economic role in Vietnam's ongoing economic boom. (Note: The 12 million member Women's Union is closely connected to the Communist Party under the umbrella of the Fatherland Front. Although its activities were purely political in the pre-reform era, it has since expanded to broad based social welfare programs, in cooperation with numerous foreign donors and NGOs. End note.) Hanh explained that the Women's Union's Culture House concentrates a broad range of services at one location: three to four thousand women per day participate in vocational training (e.g. cosmetology, hair styling, sewing, etc.); marriage and health counseling; calisthenics and exercise; personal hygiene counseling; and cultural performances. The Center also works to address and prevent child labor problems and houses women's vocational, professional, and student clubs, as well as an association and management training program for women entrepreneurs.

13. (SBU) Hanh described micro-lending projects aiming to double the income of the more than 10,000 HCMC households surviving on one USD per person per day. To date, the 4,500 micro-lending groups organized by the Union (totaling 27,000 participants) have a repayment rate of 98 percent.

14. (SBU) DUS Ponticelli relayed USG priorities for job creation as the best way to tackle poverty and promote economic growth, and commended the Union's efforts to combat this problem. Regarding child labor, Hanh said that an ILO-funded project

established that hawking newspapers and lottery tickets, shining shoes, and working as housekeepers or in family shops were the most typical forms of child labor in the three city districts surveyed. Women's Union remediation efforts include educating parents as to the importance of education, offering scholarships or night classes, or vocational training to the children involved.

Improvements in Working Conditions Don't Deter Strikers

15. (SBU) The delegation toured the Chang Shin footwear factory, a Nike Inc. sub-contractor facility in Dong Nai province with 20,000 workers. Chief Nike representative Shirley Justice described Nike's global and Vietnam presence, its extensive corporate social responsibility efforts (e.g., scholarships, Habitat for Humanity projects, a micro-loan program with the Women's Union), and current challenges. Nike's relationship with its subcontractors has evolved from an auditing/monitoring function to a consultation, where Nike works together with its partners to improve working conditions and enhance human resources. Despite these efforts, Ms. Justice reported low-level but chronic labor unrest, with 38 strikes across the industry in the last two weeks, including incidents at several Nike facilities.

Fighting Turnover: "Deskilling" vs. Movie Night

16. (SBU) Representatives from foreign-invested footwear (Nike and Adidas), Vietnamese garment manufacturers, the corporate social responsibility NGOs Company Stakeholder Responsibility (CSR) and Global Standards, and the Chamber of Commerce and Industry of Vietnam raised worker shortages and labor code issues during a roundtable discussion with the DOL delegation. Manufacturers described a temporary, migrant work force intent on maximizing income for several years before returning to their home regions, and willing to switch factory jobs for a 20,000 VND (USD 1.25) bonus. Having found on-site amenities such as kindergartens, movie nights, and even wedding services ineffective in retaining workers, Adidas has 'de-skilled'

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factory operations, maximizing automation to minimize the labor force and training. At Nike, however, human resource capacity building remains a top priority and together with the social amenities provided has kept turnover rate there at 10 percent, significantly below the industry average.

Coping with Labor Unrest in a Public Sector Vacuum

17. (SBU) All participants agreed that educating the work force in labor law was the best way to prevent strikes, but that this was an unfulfilled GVN responsibility. Participants also criticized the GVN's inaction in the face of labor unrest, as well as the lack of regular communication between the GVN and industry, but agreed with VCCI's observation that the GVN has recently begun to solicit industry input.

Comment

18. (SBU) The GVN's lack of an effective communications strategy and weak execution hampers effective labor relations in HCMC. This inertia contrasts sharply with the dynamic, multi-faceted training and educational programs of the increasingly autonomous Women's Union. Although leaders at various levels receive modest salaries, much of the Women's Union activity is volunteer-based or supported by membership fees. Its metamorphosis from a communist party tool to an increasingly self-funded volunteer-driven agent of social change marks the Women's Union's as a leading indicator of HCMC's emerging civil society. End comment.

19. This cable was coordinated with Embassy Hanoi and cleared by the delegation.
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